

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of Study

Tax is a payment to the state without direct recompense, and these monies are utilized to increase community welfare to the greatest extent feasible (UU KUP, 2007). Tax is used to support the budget for development and national objectives, as well as to generate revenue for the state. The government may ensure that available economic resources are reallocated for the benefit of society and the growth of the country by levying taxes. Tax is also used to regulate the economy by managing inflation, spurring investment, and promoting social fairness through a fair tax structure. Tax, in addition to being a source of revenue, has a role in influencing people's economic behavior, for instance, by offering tax breaks for investment or by adjusting tax rates to regulate types of consumption.

In recent years, tax concerns have risen in the food and beverage sector. This sector functions as a food product processing industry, which has relatively high growth stability, because its products are needed in everyday life. Since 2008 economic crisis, the food and beverage sector has demonstrated its resilience as the backbone of the Indonesian economy, becoming one of the cornerstones of the country's economic sustainability.

As a significant contributor to the manufacturing sector, the food and beverage industry has also become a significant provider to state tax income. However, as the industry expands, enterprises in this field are under pressure to

handle their tax liabilities properly, including taking advantage of government tax breaks. Despite being a genuine attempt, there is a chance that tax avoidance strategies could be viewed as immoral or even criminal, which might undermine state revenues and upset the economic balance.

Tax avoidance is an action in which businesses or individuals seek to lawfully lower their tax responsibilities by exploiting loopholes or vulnerabilities in tax rules. These tactics might vary from intricate company arrangements to shifting assets to nations with lower tax rates. Although tax evasion is not illegal, it is frequently the subject of debate since it can lower state revenues that are desperately required to sustain public services such as education, health care, and infrastructure. Tax authorities and governments all over the globe work hard to monitor and regulate tax avoidance tactics in order to promote fairness in tax systems and critical budgetary stability.

In the food and beverage industry, where competition is severe, firms frequently seek strategies to decrease their tax burden in order to dedicate more resources for investment and development. Tax avoidance can also lead to inequitable tax burden distribution, with large corporations being able to avoid their tax duties more efficiently than small and medium-sized firms.

One of the firms that is presumed to be doing tax avoidance is PT Indofood Sukses Makmur, Tbk. In 2013, PT Indofood Sukses Makmur, Tbk. engaged in tax evasion activities, beginning with the formation of a new business and the transfer of assets and liabilities. They were able to evade taxes worth 1.3 billion rupiah by shifting assets, obligations, and capital to PT Indofood CBP Sukses Makmur as its

branch. As a result of this action, the Directorate General of Taxes (DJP) concluded that PT Indofood Sukses Makmur, Tbk. was compelled to continue paying the 1.3-billion-rupiah tax owing (Wahyuni, 2022).

Sales growth can be used to predict tax evasion. The degree of sales growth achieved by a firm over time may be used to assess its capabilities. The greater the company's sales growth, the more effective it is in implementing its business plan (Wahyu Widjojo and Doddy Setiawan, 2009). Significant sales growth, in the context of this study, might provide opportunity for businesses to optimize their tax arrangements. The more revenue a corporation generates, the more complicated its tax approach becomes. Companies may use sales rules, discounts, or even restructure their company strategy to decrease their tax burden.

According to Sartono, leverage is a method adopted by businesses to maximize prospective shareholder earnings by exploiting fixed-cost assets and sources of money. Leverage is used by businesses to manage their capital structure, which can have an influence on their tax liability. A common strategy, for example, is to utilize a sophisticated financial structure. In this instance, the corporation can borrow cash from a subsidiary or related entity situated in a lower-tax area. The monies borrowed are then used to assist the company's activities in Indonesia. Because the corporation must pay interest on the loans used, this technique has the potential to diminish earnings recorded in Indonesia. As a result, the tax requirements that the corporation must pay will be reduced.

The business' size, often known as its firm size, may be calculated using two methods: total assets or the logarithmic value of its assets (Hartono, 2008). This

element is crucial in the context of tax avoidance. Larger corporations often have more access to the resources and flexibility required to pursue complicated tax avoidance methods, such as moving earnings to lower-tax jurisdictions or exploiting tax law loopholes. Smaller businesses, on the other hand, may be hampered in this area due to limited resources.

**Table 1. 1 Phenomena Table**

<b>Name</b>	<b>Year</b>	<b>Leverage</b>	<b>Sales Growth</b>	<b>Firm Size</b>	<b>ETR</b>
MLBI	2020	1,03	-0,47	14,88	0,28
	2021	1,66	0,25	14,89	0,24
	2022	2,14	0,26	15,03	0,26
CLEO	2020	0,47	-0,10	27,90	0,21
	2021	0,35	0,13	27,93	0,22
	2022	0,43	0,23	28,16	0,22
ADES	2020	0,37	-0,12	13,77	0,19
	2021	0,34	0,39	14,08	0,21
	2022	0,23	0,38	14,31	0,21
DLTA	2020	0,20	-0,34	20,93	0,25
	2021	0,30	0,25	20,99	0,22
	2022	0,31	0,14	20,99	0,22
ICBP	2020	1,06	0,10	18,46	0,26
	2021	1,16	0,22	18,59	0,20
	2022	1,01	0,14	18,56	0,24

Source: Prepared by Writer (2023)

In 2020, PT. Multi Bintang Indonesia, Tbk. (MLBI) exhibited a leverage value of 1.03, which subsequently increased to 1.66 in 2021. Additionally, its effective tax rate (ETR) was at 0.28 in 2020 but faced a decrease to 0.24 in 2021. In the year 2022, the leverage value of the entity had increased to 2.14, while the effective tax rate (ETR) also saw an increase to 0.26. In the case of PT Akasha Wira International, Tbk., it can be observed that their leverage value decreased from 0.37 in 2020 to 0.34 in 2021. Conversely, their ETR value showed an increase from 0.19

in 2020 to 0.21 in 2021. In the year 2022, the leverage value of the entity had a decrease to 0.23, while the ETR (Effective Tax Rate) value remained the same. From Table 1.1, it shows there are some inconsistencies.

Leverage, a ratio that assesses how much debt a corporation carries to finance assets, indicates a huge if high debt level. A high amount of leverage can improve profit prospects while having negative influence on a company's financial statements. Large debt, on the other hand, carries a significant interest burden, potentially limiting tax payments due to the company's inability to pay taxes. As a result, there is a possibility to avoid paying taxes by lowering the tax burden. Previous research by Alaucia Kartika Wijaya (2023) explains that leverage shows significant influence on tax avoidance. However, the research conducted by Aida Fitri Nasution, Tuti Anggraini, Arnida Wahyuni Lubis (2022) explains that Leverage shows no significant influence on tax avoidance.

Companies can predict how much profit they will make by paying attention to sales growth because these changes indicate the company's profitability and future prospects. A rise in sales growth has the potential to boost corporate earnings; however, it is believed that this increase will also increase the tax burden. Increases in the corporate tax burden may motivate businesses to pursue tax avoidance tactics. Previous research by Lidia Wahyuni, Robby Fahada, and Billy Atmaja (2017) explains that sales growth shows significant influence on tax avoidance. In contrast with the research conducted by Mukthar (2021) explains that sales growth shows no significant influence on tax avoidance.

The size of a firm represents its economic stability in carrying out economic

activities, with increasing size frequently indicating increased transaction complexity. This complication can create a loophole that can be used to engage in tax avoidance. Previous research by Suliana and Suhono (2020) explain that firm size shows significant influence on tax avoidance. However, research by Kusufiyah dan Anggraini (2019) explains that firm size shows no significant influence on tax avoidance.

This study will concentrate on the food and beverage industry, which is listed on the Indonesia Stock Exchange (IDX), from 2020 to 2022. This time frame was purposefully chosen to offer a meaningful assessment of how sales growth, leverage, and firm size have influenced tax evasion techniques in this sector over the previous three years. Possible changes in economic conditions and tax rules throughout this time period can give a clearer knowledge of how these elements connect to tax evasion techniques over this substantial time range.

Indonesia's food and beverage (F&B) industry, a pivotal sector experiencing noteworthy revenue growth, attributes its prosperity to community entrepreneurship and the efficient establishment of F&B businesses, covering raw material selection to product marketing. As the preferred choice for emerging entrepreneurs, it achieved an average growth rate of 8.16% from 2015 to 2019, surpassing the non-oil and gas processing industry's average. Despite COVID-19 challenges, the F&B industry resiliently posted a 2.95% growth in Q2 2021, contributing significantly to the national GDP with a 6.66% share. It played a crucial role in the non-oil and gas processing industry's exports, contributing 23.78% from January to December 2020. The F&B industry's expansion to 4.62%

of GDP in Q2 2023 holds implications, contributing about 34% to the processing industry's GDP. Despite ranking fourth in the processing industry, its growth ensures stability in domestic food supplies, fosters employment, and streamlines supply chains. However, challenges related to tax avoidance impact government revenues, potentially reducing the income directed to the state treasury.

In order to address the discrepancies found in previous research findings, the writer has made a choice to conduct a reevaluation. This reevaluation is centered on three critical variables: sales growth, leverage, and firm size. The emphasis is on manufacturing companies in the food and beverage industry. These companies were chosen because they tend to be large in size and have complex tax management procedures. This selection allows for a thorough examination of the complex interaction between these variables and offers insight on the underlying mechanisms that contribute to these variations in study results.

Based on the above explanation, the writer decided to make a study titled **“The Influence of Leverage, Sales Growth, and Firm Size on Tax Avoidance in Food and Beverages Companies Listed on the Indonesia Stock Exchange”**.

## **1.2 Problem Limitation**

As the aim of this study is to focus on specific components and due to limitations in time and resources, this research is confined to:

1. This research is focus on three independent variables: sales growth, leverage, and firm size; and one dependent variable: tax avoidance.
2. This research was conducted in the manufacturing company on the food and

beverage sectors.

3. This research is limited to the period 2020-2022.

### **1.3 Problem Formulation**

Based on background above, research problems are formulated as below:

1. Does sales growth partially have significant influence tax avoidance in the food and beverage companies listed on the IDX?
2. Does leverage partially have significant influence tax avoidance in the food and beverage companies listed on the IDX?
3. Does firm size partially have significant influence tax avoidance in the food and beverage companies listed on the IDX?
4. Do sales growth, leverage, and firm size simultaneously have significant influence on tax avoidance in the food and beverage company listed on the IDX?

### **1.4 Objective of the Research**

These are the objective of the research based on the problem above:

1. To analyze and provide empirical evidence on the significant influence of sales growth on tax avoidance in the food and beverage companies listed in IDX.
2. To analyze and provide empirical evidence the significant influence of leverage on tax avoidance in the food and beverage companies listed in IDX.
3. To analyze and provide empirical evidence the significant influence of firm



size on tax avoidance in the food and beverage companies listed in IDX.

4. To analyze and provide empirical evidence the significant influence of sales growth, leverage, and firm size on tax avoidance in the food and beverage companies listed in IDX.

## **1.5 Benefit Research**

### 1.5.1 Theoretical benefit

The aim of this research is to offer an understanding of tax avoidance, and the findings can provide further knowledge about accounting and taxation in the section on tax avoidance.

### 1.5.2 Practical benefit

#### 1. For business

The study's goal is to give firms with information and evaluation material on how sales growth, leverage, and firm size impact tax avoidance.

#### 2. For investor

The aim is to offer information for the investors so that they may acquire a better knowledge of a company's financial position and the associated role with their investment.